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Central Intelligence Agency
National Foreign Assessment Center
August-September 1980

REVIEW OF SOVIET INTERNAL AFFAIRS

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Domestic Politics

Although turmoil in Poland may have seriously disturbed the peace of mind of Soviet leaders over the last two months, those leaders who were active during this period seemed outwardly confident and unruffled, betraying few indications of policy differences or political maneuvering within their ranks. Instead, they gave every indication of concentrating on preparations for the coming CPSU congress early in 1981 and drafting the next five year plan.

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Policy Toward Poland

Throughout the Polish crisis the Soviet leadership has preferred to exercise its influence quietly behind the scenes, avoiding any appearance of alarm. As the strike movement in Poland grew to nationwide proportions during August, Soviet leaders went ahead with scheduled activities and holiday plans. During much of this period a number of key leaders--including Ustinov, Chernenko, and Brezhnev--were absent from Moscow. Brezhnev vacationed in the Crimea from 24 July until 25 August. Returning to Moscow, Brezhnev remained there only one full day before leaving for Kazakhstan to participate along with several other Politburo members in that republic's 60th anniversary celebrations. He stayed in Alma-Ata until 31 August. Kirilenko, who often deputizes for Brezhnev when the general secretary is out of town, visited Belgorod Oblast in the RSFSR 28-30 August, and thus was also not in Moscow when the Polish Government announced its acquiescence to the workers' chief demands on 30 August. During this period Kosygin was incapacitated by illness.

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This review is based on research and analysis work completed by CIA's National Foreign Assessment Center through 10 October 1980. The contributions have been reviewed by appropriate individuals within NFAC but have not been formally coordinated. Comments are welcome and may be addressed to Chief, Soviet Internal Branch, USSR-EE Division, Office of Political Analysis, Room 6 G 22, CIA Headquarters

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These leadership movements suggest that the top Soviet leaders did not meet to discuss the Polish situation at the height of the crisis in late August.

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While taking pains to avoid the appearance of forcing solutions on the Polish leadership, the Soviet leadership evidently approved--and perhaps initiated--the policy of temporary concessions in order to end the strikes. Moscow reportedly supported Gierek's tough policy toward the strikers at first, but soon abandoned this approach

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The Soviet leadership's approval of Kania was evident in Moscow's rapid endorsement of the new regime, and in the Soviet media's complimentary references to Kania.

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Moscow also quickly offered economic assistance, and pressured other East European countries for contributions to help Poland. [REDACTED]

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In exchange for its backing, the Soviet leadership clearly expects Kania quickly to restore stability and to do so in a way that leaves intact the party's authority and the regime's socialist orientation. The Soviets regarded the concessions to the workers as no more than an unavoidable expedient. Escalating Soviet criticism of the new independent trade unions, such as that by Soviet trade union chief Shibayev in a speech on 1 October, indicates that the Soviets are pressing the Poles not to yield any more ground to the new unions. In his meeting with Jagielski, Suslov was also adamant that party members not be permitted to join the independent trade unions. [REDACTED]

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1968 Revisited?

The Soviet leadership's present posture toward Poland is similar to their approach toward Czechoslovakia during the initial period after Dubcek took office. The Soviets then expressed cautious support while taking Dubcek's measure and assessing their options. Current Soviet comments and actions, however, contrast sharply with their behavior immediately prior to the invasion of Czechoslovakia which took place seven months after Dubcek assumed office. [REDACTED]

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During the late spring and summer of 1968, Soviet leaders held a series of summit meetings with Czechoslovak leaders, and with leaders of other East European countries. By contrast, since Kania assumed power the only direct contacts between high-level Polish and Soviet leaders were Jagielski's sessions in Moscow with Suslov on 10 September and with Brezhnev the next day, and Gromyko's meeting with the Polish Foreign Minister in New York on 22 September. Rumors of a meeting between Chernenko, Ponomarev (or Kirilenko), and Gierek near the Polish-Soviet border in late August have not been confirmed. The frequency of contact between Soviet and other East European leaders has not been conspicuously high. [REDACTED]

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Moreover, in the summer of 1968 several Soviet Politburo members explicitly and publicly denounced trends in Czechoslovakia, charging that sympathy for

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counterrevolutionary ideas existed within the Czechoslovak Communist leadership itself. During the present Polish crisis, Soviet Politburo members who have given speeches have only made oblique references to Poland. Soviet media have taken the line that the Polish Communist Party is successfully combatting anti-socialist elements rather than colluding with them. Spokesmen for the Soviet regime, however, have criticized certain developments within the Polish party in a way that could be expanded later, if deemed expedient, into accusations of "anti-socialism." [redacted]

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Preparing for Congress and Plan

While top Soviet leaders have probably been preoccupied with the Polish problem, they are also preparing for their party congress. The first round of pre-congress meetings has already begun. The several hundred thousand primary party organizations at the base of the party structure are now selecting delegates to city and district party meetings. Over the next few months similar gatherings will take place at successively higher levels of the hierarchy, a process culminating in the convening of the CPSU Congress in February. Meanwhile, Central Committee departments and Academy of Sciences institutes in Moscow are working on documents for the congress. Brezhnev's chief aide, Andrey Aleksandrov-Agentov, is presumably overseeing these preparations, as he did before the last congress.

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Recent leadership speeches, party resolutions, and press articles do not indicate that any major political or economic reforms are being readied. US Embassy officers in Moscow have recently picked up rumors that some lower level officials are advocating changes in the antiquated party program, which was adopted in 1961, and have proposed organizational reforms that would enable the party to supervise Gosplan's work more closely. There is no evidence that central party organs have acted on these suggestions. [redacted]

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Drafting of the basic directives of the next Five Year Plan (1981-1985), which Gosplan had hoped to have ready by mid-September, has fallen behind schedule. Competition for resources between regions is at least partly responsible for the delay. Officials from older industrial areas in the European Soviet Union are reportedly resisting, as they have in the past, increased investment in development projects east of the Urals. [redacted]

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[redacted]

[redacted] Soviet authorities, nervous about the impact of the Polish strike movement on the mood of the Soviet working class, might be adjusting the plan to increase wages and benefits for workers. Several recent press articles admonishing trade union officials to show greater sensitivity to workers' grievances provide some circumstantial support for this view.* The renewed jamming of some Western radio stations indicates official concern to prevent Polish disorder from spilling over into the Soviet Union. [redacted]

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There is no persuasive evidence, however, that apprehension about potential worker unrest will lead to any major shift in investment priorities. An August editorial in the Gosplan journal Planovoye khozyaystvo mentioned the "uninterrupted supply of food, especially meat" as an important economic goal but listed four other economic objectives as being more critical. A middle-level Gosplan official in late September also told a US Embassy officer that the "military-industrial complex" would "not be the loser" in any struggle with the consumption sector. [redacted]

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Soviet authorities still have time to work through these planning snags. The Supreme Soviet session scheduled for 22 October, and the Central Committee plenum that will precede it, will approve only the annual economic plan for 1981. This can be done even if Gosplan has not completed the basic directives for the entire five year period by then. Another plenum probably will be held just prior to the congress next February to ratify the basic directives prior to their presentation at the congress itself. [redacted]

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Leadership Health and the Succession

As the decrepit senior leaders look to the congress, they continue to convey the impression that they are unperturbed about their failure to groom a generation of younger leaders to succeed them. It is possible that death or disease will soon force a shake-up at the top, but the likely beneficiaries in the short run are themselves old men whose elevation will not rejuvenate the leadership. [redacted]

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Although the Soviet press has continued to publish messages "signed" by Kosygin in his capacity as chairman of the Council of Ministers, he has not appeared in public

**Pyatras Grishkyavichyus, head of the party in Lithuania, the Soviet republic most susceptible to Polish influence, in a speech in late August particularly emphasized the need to pay more attention to workers' complaints. [redacted]*

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since 3 August.

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The early scheduling of a Supreme Soviet session--for October rather than the usual December date--raises the possibility that Kosygin may be replaced as premier at that time.

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Brezhnev himself appears to be feeling better physically than he has for several years,

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After visits in August to the Crimea and Kazakhstan--where he performed quite well in delivering a televised speech

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Brezhnev's increased vigor may make him even less inclined than previously to think of leaving office.

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It is unclear how the temporary improvement in Brezhnev's health will affect the fortunes of Kirilenko and Chernenko, the leading contenders for the general secretary's job. On the one hand, Brezhnev may now feel less dependent on Chernenko, whose indispensability to his chief has been his major political asset. On the other hand, the longer Brezhnev lives, the greater the chance that Kirilenko, now 74, will be disqualified as a successor.

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The accidental death on 4 October of Belorussian party boss Masherov, a Politburo candidate member, eliminated yet another younger leader who had the background and qualifications to hold a top party or government position. It also deprived advocates of a more innovative approach toward economic management of their most articulate and forceful champion within the leadership. The death of Masherov, who was never politically or personally close to Brezhnev, will give the general secretary the opportunity to shape the top leadership in Belorussia more to his own liking. Whoever is named to replace Masherov could well be promoted to Politburo status at the 26th Party Congress, perhaps establishing a new candidate for promotion to one of the top leadership positions.

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Economic Affairs

Eight months through 1980, the Soviet economy continues to show few signs of improvement. A major exception is the Soviet hard currency position which is the strongest in two decades. Events in Poland together with the sharp slowdowns in economic growth occurring throughout Eastern Europe are adding to the tough economic choices facing the Soviet leadership. [REDACTED]

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Industry

Soviet industrial production after eight months of 1980 is less than 4 percent above the poor performance during the corresponding period last year. Growth in ferrous metals has dropped to about one percent on an annual basis primarily because of a failure to fully utilize equipment and to link up new capacity. The chemical and construction materials industries continue to lag and the output of coal and consumer nondurables is below the levels reached in 1979. A scarcity of raw materials, transportation snarls, and low labor productivity will restrict the growth of industrial output to about 3 percent this year. [REDACTED]

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Agriculture

We currently estimate the total Soviet grain crop at about 205 million tons, down 5 million tons from our previous forecast. Should the crop fall much below 200 million tons, the impact on livestock output, especially meat, in the current marketing year (July 1980-June 1981) will be substantial. Prospects for most other major crops are poor. Production of sugar beets, sunflower seeds, and vegetables this year will be below average. The single exception is cotton which is expected to set a new record of about 9.3 million tons. [REDACTED]

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Strong Hard Currency Picture

Spiraling prices for exports, especially oil, have given the USSR its strongest hard currency position since the 1960s. Moscow's hard currency surplus should approximate \$2 billion this year. The rosy trade picture gives the Soviets the luxury of reducing their presence in Western gold and credit markets, strengthening an international credit standing that was in question just three years ago. It also leaves Moscow in a strong position to provide hard currency support for its financially strapped allies and to pay premiums for grain and other embargoed goods. On 11 September, for example, Poland and the USSR signed an aid agreement in Moscow that the Poles have valued at \$690 million. Nonetheless, we expect the USSR to be very cautious in exploiting its new position in the future,

because the potential claims on the surplus are so large and the outlook for maintaining the cushion is so uncertain. []

Energy--A Continuing Headache

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Energy problems continue to be a major concern of the Soviet leadership. In an effort to stem a fall-off in energy production in the 1980s, Moscow has already announced an ambitious list of energy development programs for the 1981-85 economic plan.

- Production drilling in West Siberia is planned to grow from less than 6 million meters in 1979 to 20 million meters in 1985. Total production drilling planned for the whole country is scheduled to double in the next five years compared with 1976-80. In addition, construction and transportation facilities are to be doubled in West Siberia between 1980 and 1983, and a large number of oil and gas workers are to be added to the work force. []
- Exploratory oil drilling is also to be expanded throughout the country--from about 5 million meters this year to 12.5 million meters per year by 1985. []
- Large scale development of the Kuznetsk, Karaganda, Ekibastuz, and Kansk-Achinsk coal fields is planned. []
- The share of nuclear power in total energy production--now 1 percent--is to increase to about 3-4 percent by 1985. []

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The large expenditures ticketed for energy development come at a time when investment goods are acutely scarce and badly needed in other areas of the economy. Sectors such as ferrous metals, for example, that are already suffering from a lack of investment in the 1970s, will probably be squeezed further. []

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Economic Denial Measures: An Update

The economic denial measures against the USSR continue to draw only limited support from our allies. The single exception is the grain embargo which has strained domestic feed supplies in the USSR and forced cutbacks in the important livestock sector.

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- We now estimate that the Soviets have replaced 8.5 million of the 17 million tons of grain denied this year by the United States. As a result, Moscow is faced with about an 8 million ton shortfall compared with their preembargo expectations. [] 25X1
- Western economic sanctions on trade in technology and equipment have been further weakened by three major deals worth more than \$800 million consummated by the Soviet Government with West German and French firms since the beginning of September. At the same time, negotiations are continuing on several fronts on the proposed West Siberia-Western Europe gas pipeline. European banking syndicates are being formed to finance the \$11-13 billion pipeline. [] 25X1
- Sanctions on Western credits to the Soviet Union have been weakened by the Japanese decision to proceed with new credits for several Siberian projects. Italy may soon change its stance on credit sanctions as well because of easier credit availability in France and West Germany. [] 25X1

Western economic sanctions on trade in technology and equipment, while not creating hardships for Moscow, present important policy problems for the USSR. The denial measures have forced the leadership to reexamine the long-term future of USSR-Western trade and have introduced an element of uncertainty at a time when Soviet officials are putting the finishing touches on the 1981-85 plan. Although the extent of continued Western participation in Soviet development is still being debated in Moscow, no fundamental change in Soviet policy seems to be in the offing. The Soviet leadership probably sees little alternative to a continued Western role and, in any event, probably believes that the sanctions will soon collapse. [] 25X1

Eastern Europe

The East European countries are experiencing the same kind of slowdown in economic growth that confronts the USSR. Because of this, Moscow is facing some tough trade-offs between their own needs and those of Eastern Europe. On the one hand, the Kremlin has been trying to reduce the cost of maintaining its empire. At a recent meeting of the Council for Mutual Economic Assistance (CEMA), for instance, the Soviets announced that:

- [REDACTED]
- There will be no increase over the 1980 level in Soviet oil deliveries to membership countries in the 1981-85 period.
 - Deliveries of raw materials to CEMA countries may have to be reduced from their 1980 level. [REDACTED]

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At the same time, the Soviet leadership is taking a big risk if it assumes an inflexible attitude in its economic policy toward Eastern Europe. Recent events in Poland undoubtedly will cause Moscow to be as accommodating as possible. As the expected economic slowdown continues, however, aid requests to the USSR are likely to grow, while Soviet flexibility in providing aid will erode rapidly as Soviet energy production falters. Furthermore, the Soviets almost certainly will be reluctant to subsidize East European consumers who already are more prosperous than the Soviet population. [REDACTED]

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Military Issues

Although the Soviet military has been preoccupied with the war in Afghanistan for most of the year, developments in Poland clearly diverted the attention [REDACTED]

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